

Message Text

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PAGE 01 STATE 215337
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
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FM SECSTATE WASHDC

TO AMEMBASSY STOCKHOLM PRIORITY

INFO AMEMBASSY LISBON PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, PO, SW

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: (A) STOCKHOLM 3547, (B) STATE 163429,
(C) STATE 211910

1. AT THE MEETINGS IN MAY AND JUNE POTENTIAL PARTICIPANTS
IN THE LENDING ARRANGEMENT FOR PORTUGAL AGREED ON THE
ESSENTIAL CHARACTERISTICS OF BILATERAL LOANS. LOANS WOULD
BE MEDIUM TERM (5-10 YEARS), UNTIED TO PROJECTS, COUNTRY
OR EXPORTS, NO ENCUMBRANCE TO PORTUGUESE RESERVES,
AND LINKED TO THE PROGRESS OF PORTUGAL'S ECONOMIC RECOVERY
PROGRAM AS WORKED OUT WITH THE IMF. AT THE JUNE MEETING
AND IN REFTEL (B) THE U.S. OUTLINED THE GENERAL
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PAGE 02 STATE 215337

CHARACTERISTICS OF OUR INTENDED LOAN, BELIEVING THAT OTHER
COUNTRIES COULD FIND SUCH INFORMATION USEFUL IN FORM-
ULATING THEIR OWN AGREEMENTS. TO OUR KNOWLEDGE NO
COMPREHENSIVE ATTEMPT TO STANDARDIZE LOAN AGREEMENTS HAS
BEEN MADE.

2. THE U.S. HAS NOT RECEIVED THE TEXTS OF THE LOAN AGREE-

MENTS OF OTHER COUNTRIES. WE ARE THEREFORE NOT ABLE TO
COMPARE THE LANGUAGE IN THESE AGREEMENTS WITH RESPECT TO
PARTICULAR ISSUES. WITH REGARD TO THE SPECIFIC QUESTIONS

RAISED IN PARAGRAPH 3 OF REFTEL (A), NO COUNTRY HAS
PROVIDED INFORMATION OR INQUIRED REGARDING POSSIBLE
PROVISIONS IN CASE OF DEFAULT AND SINCE THERE IS
NO COLLATERAL INVOLVED WE DO NOT ENVISAGE THAT OUR
OWN AGREEMENT WILL CONTAIN ANY SUCH CLAUSE. INTENDED
DISBURSEMENT SCHEDULES VARY GREATLY AMONG LENDERS DEPEND-
ING ON WHEN FUNDS WILL BE AVAILABLE AND HOW DISBURSEMENTS
ARE LINKED TO PORTUGUESE COOPERATION WITH THE IMF.
INTENDED LOANS ALSO VARY CONSIDERABLY WITH RESPECT TO
AMORTIZATION SCHEDULES AND GRACE PERIODS. TO OUR KNOW-
LEDGE NO COUNTRY INTENDS TO SPECIFY EXPECTATIONS AS TO
POLICY RECOMMENDATIONS THE IMF MAY INCLUDE AS PART OF A
SECOND CREDIT TRANCHE STAND-BY AGREEMENT. MOST COUNTRIES
ARE CONDITIONING DISBURSEMENTS ON THE INITIATION OF
DISCUSSIONS OR FINAL AGREEMENT BETWEEN PORTUGAL AND THE
IMF ON THE SECOND CREDIT TRANCHE STAND-BY. IT APPEARS
THAT A FEW COUNTRIES MAY NOT INCLUDE ANY PROVISIONS ON
CONDITIONALITY. THERE HAS BEEN NO DISCUSSION CONCERNING
THE PRIORITY OF CREDITORS IN THE EVENT OF A DEFAULT BY
PORTUGAL.

3. WE REGRET THAT WE ARE UNABLE TO TRANSMIT THE PROPOSED
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PAGE 03 STATE 215337

TEXT OF THE U.S. LOAN AGREEMENT AT THIS TIME. WE EXPECT
THAT A COMPLETE PRELIMINARY DRAFT SHOULD BE READY NEXT
WEEK WHICH WE WILL FORWARD AT THAT TIME.

4. ADDITIONAL INFORMATION (SEE REFTEL (B) ON THE INTENDED
SWEDISH LOAN WOULD BE USEFUL FOR THE MID-SEPTEMBER REPORT
DESCRIBED IN REFTEL (C). ESPECIALLY HELPFUL WOULD BE AN
INDICATION OF A POSSIBLE AMOUNT FOR SWEDEN'S LOAN. VANCE

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